



Advancing Standards™

January 14, 2021

Submitted via email:

Dear Sirs and Mesdames:

**Re: Strengthening Canadians' Retirement Security – Proposals to Support the Sustainability of and Strengthen the Framework for Federally Regulated Private Pension Plans**

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**Overview**

The Portfolio Management Association of Canada<sup>1</sup> (**PMAC**), through its pensions advocacy committee, is pleased to have the opportunity to participate in the Department of Finance's consultation "Strengthening Canadians' Retirement Security – Proposals to Support the Sustainability of and Strengthen the Framework for Federally Regulated Private Pension Plans" (the **Consultation**).

As background, PMAC represents over [285 investment management firms](#) registered to do business in Canada as portfolio managers. PMAC members manage assets in excess of \$2.8 trillion for among others, private individuals, foundations, universities and pension plans.

PMAC is supportive of the Government of Canada's goal of promoting the retirement income security of Canadians, especially now. We believe that private employment-based registered pension plans (**Plans**) form an essential component of Canada's overall retirement system. We would like to begin by commending the Government for the temporary moratorium on solvency special payments for federally regulated defined benefit (**DB**) plans until December 30, 2020 as well as for publishing the Consultation to seek stakeholder feedback on other temporary broad-based solvency funding relief in 2021.

**Encouraging Consideration of ESG Factors**

Our comments on the Consultation are limited to the topic of environmental, social and governance (**ESG**) factors, as these are most squarely within our membership's area of expertise.

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<sup>1</sup> PMAC was established in 1952. Our mission is to advocate the highest standards of unbiased portfolio management in the interest of the investors served by Members. For more information about PMAC and our mandate, please visit our website at [www.portfoliomanagement.org](http://www.portfoliomanagement.org).

*Question 5 – In light of the growing international focus on ESG factors in investing, what would be an appropriate approach to encourage pension plans to consider ESG Factors?*

PMAC believes the Federal government should adopt the principles-based approach to ESG taken in Ontario. As noted in the Consultation, the Ontario *Pension Benefits Act* regulations require pension plans to file their statement of investment policies and procedures (**SIP&P**) with the pensions regulator and include disclosure about whether and, if so, how, ESG factors are incorporated into the pension plan's investment strategy. Given enhanced ESG awareness and expectations since Ontario first implemented this requirement, PMAC would support the Federal government requiring consideration of ESG factors be incorporated in a pension plan's SIP&P. We strongly encourage the Federal government to enact principles-based legislation on ESG factor inclusion in SIP&P as opposed to more prescriptive requirements in this respect, recognizing that the financial stability of the plan remains a primary consideration.

PMAC is supportive of principles-based regulation versus prescriptive rules since we view principles-based approaches as more suited to a variety of business models, rapidly changing markets and investor expectations where global influences, technology disruption and political and other factors can often outpace regulatory responses.

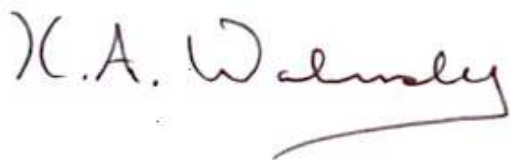
An additional benefit of the Federal government adopting the Ontario approach on this particular issue is that it will help to harmonize certain elements of pension legislation across Canada. PMAC advocates for harmonized pension regulation across Canada so that pension beneficiaries have the same level of disclosure, protection and reductions in underlying Plan complexity and compliance costs, no matter their jurisdiction of residence.

## **Conclusion**

We thank the Government of Canada for this Consultation and for your work aimed at strengthening the Federal retirement income system. We look forward to reviewing draft legislation arising out of the Consultation. If you have any questions regarding this submission, please do not hesitate to contact Katie Walmsley ([kwalmsley@portfoliomanagement.org](mailto:kwalmsley@portfoliomanagement.org)) at (416) 504-7018.

Yours truly;

**PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA**



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